

The Funds may invest in derivatives as permitted by guidelines established by the Board of Trustees. Compliance with these guidelines is monitored by Fund staff. At times, the Funds invest in foreign currency forward contracts, options, futures, collateralized mortgage obligations, mortgage backed securities, interest only securities, and principal only securities. No derivatives were purchased with borrowed funds.

Derivatives are used to hedge against foreign currency risk, improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. These securities are subject to changes in value due to changes in interest rates or currency valuations. The mortgage backed securities are subject to prepayment risk when interest rates are falling. Credit risk for derivatives held by the Funds result from the same considerations as other counterparty risk assumed by the Funds, which is the risk that the counterparty will be unable to meet its obligations.

The Funds invest in foreign currency forward contracts to hedge the currency risk in its international and global portfolios. The following summary shows the foreign currency forward contracts outstanding as of June 30, 1996 (amounts expressed in thousands).

#### Purchases

Currency	Purchase Amount (In Local Currency)	Market Value as of June 30, 1996
Australian dollars.....	47,182	\$ 37,045
Belgian francs.....	427,467	13,704
Canadian dollars.....	29,487	21,629
Danish kroner.....	311,131	53,190
Deutsche marks.....	315,635	208,172
European currency.....	406	506
French francs.....	268,233	52,227
Indonesian rupiah.....	16,365,000	7,031
Italian lire.....	95,566,311	61,996
Japanese yen.....	34,237,149	314,488
Malaysian ringgit.....	27,019	10,828
Netherlands guilders.....	13,699	8,061
New Zealand dollars.....	10,406	7,109
Norwegian kroner.....	51,687	7,960
Pound sterling.....	91,575	142,235
Singapore dollar.....	17,219	12,200
Spanish pesetas.....	5,818,730	45,309
Swedish kronor.....	126,376	19,037
Swiss francs.....	85,064	68,314
Thai baht.....	94,170	3,707
U.S. dollars.....	2,087,149	2,087,149
Total purchases.....		<u>\$3,181,897</u>

#### Sales

Currency	Sale Amount (In Local Currency)	Market Value as of June 30, 1996
Australian dollars.....	68,858	\$ 53,963
Austrian schilling.....	8,250	775
Belgian francs.....	1,628,818	52,408
Canadian dollars.....	58,320	42,798
Danish kroner.....	458,776	78,408
Deutsche marks.....	593,191	391,275
European currency.....	4,172	5,208
French francs.....	792,419	154,342
Italian lire.....	127,139,791	82,543
Japanese yen.....	58,099,319	534,514
Netherlands guilders.....	474,882	279,231
New Zealand dollars.....	4,511	3,071
Norwegian kroner.....	23,711	3,654
Pound sterling.....	110,115	171,029
Spanish pesetas.....	5,786,723	45,029
Swedish kronor.....	276,137	41,598
Swiss francs.....	169,025	135,563
U.S. dollars.....	1,096,410	1,096,410
Total sales.....		<u>\$3,171,819</u>